

Labor; apprenticeship and training committee. A nonprofit apprenticeship and training committee formed by a union and an employers' association of a particular industry in connection with a collective bargaining agreement, which conducts educational courses and programs in various aspects of the trade for local members, employees, or associates of the industry to ensure that local standards on the quality of work conform with national codes for the industry, and, also selects and supervises the training of apprentices, is exempt under section 501(c)(5) of the Code.

Advice has been requested whether the nonprofit apprenticeship and training committee described below is exempt from Federal income tax under section 501(c)(5) of the Internal Revenue Code of 1954.

The organization is a trust that was formed by the local chapters of a union and an employers' association of a particular industry in connection with a collective bargaining agreement. It regularly conducts educational courses and programs at the union shall in various aspects of the trade for the local members, employees, or associates of the industry. Experienced journeymen serve as instructors. The organization also selects apprentices and supervises their training program. The aim of these activities is to ensure that local standards on the quality of work conform with national codes for the industry. The organization has an affirmative action plan that is approved by the U.S. Department of Labor subject to periodic compliance reviews under the Regulations on Equal Employment Opportunity in Apprenticeship and Training, 29 CFR Part 30.

Section 501(c)(5) of the Code provides for the exemption from Federal income tax of labor organizations.

Section 1.501(c)(5)-1 of the Income Tax Regulations provides that the organizations contemplated by section 501(c)(5) of the Code are those which have as their objects the betterment of the conditions of those engaged in such pursuits, the improvement of the grade of their products, and the development of a higher degree of efficiency in their respective occupations.

Rev. Rul. 59-6, 1959-1 C.B. 121, holds that an apprenticeship committee organized primarily to establish standards of employment concerning apprentices in various skilled crafts, determine the qualifications necessary to become a journeyman, aid in adjusting and settling disputes between the apprentice and the employer, and cooperate with the local board of education in establishing supplementary classroom instruction pertaining to the apprentice's vocation, is exempt under section 501(c)(5) of the Code.

The organization, through its training activities, helps to ensure that local standards on the quality of work conform with national codes for the industry. Thus, the organization is improving the grade of the industry's products and is developing a higher degree of occupational efficiency. These objects are appropriate for exemption under section 501(c)(5) of the Code.

Accordingly, the apprenticeship and training committee described above is exempt from Federal income tax under section 501(c)(5) of the Code. Compare Rev. Rul. 72-101, 1972-1 C.B. 144, which holds that a nonprofit organization created through a collective bargaining agreement to train individuals desiring to acquire skills in an industry qualifies as an educational organization that is exempt from Federal income tax under section 501(c)(3) of the Code and is described in section 170(b)(1)(A)(ii).

Even though an organization considers itself within the scope of this Revenue Ruling, it must file an application on Form 1024, Application for Recognition of Exemption, in order to be recognized by the Service as exempt under section 501(c)(5) of the Code. The application should be filed with the District Director of Internal Revenue for the key district indicated in the instructions to the Form 1024. See section 1.501(a)-1 of the regulations.